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COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

AT RICHMOND, SEPTEMBER 8, 1999

APPLICATION OF

C & P SUFFOLK WATER COMPANY

CASE NO. PUE980331

For an amended certificate
of public convenience and
necessity authorizing the
furnishing of water service

FINAL ORDER

On June 17, 1998, C & P Suffolk Water Company ("C & P" or "the Company") filed an application to amend its certificate of public convenience and necessity. In its application, the Company requested authority to provide water service to the Idlewood Farms subdivision located in the City of Suffolk, Virginia.

The Company proposed to include Idlewood Farms in the rate schedule previously approved for the Bennett's Harbor, Lake Meade, and Lake Forest subdivisions (Schedule #2). That tariff is as follows:

WATER SERVICE

1. Metered Residential Bi-Monthly Rates

<u>Gallons</u>	<u>Rate</u>
For the first 6,000	\$35.00
All over	\$1.15 per 1,000 gallons

2. Minimum charge:

There shall be a bi-monthly minimum service charge of \$35.00 for water service and no bill will be rendered for less than the minimum charge. The minimum bi-monthly service charge shall become effective when water service is connected to the lot.

The Company currently bills its customers on a bi-monthly basis in arrears. The Company has included certain miscellaneous fees and charges in its rules and regulations of service, which it proposed to apply to the Idlewood Farms subdivision also.

On August 4, 1998, the Commission issued an Order Inviting Written Comments and Requests for Hearing. In that Order the Commission took judicial notice of its February 20, 1998, Order Granting Approval in Case No. PUA970051, in which it granted approval under §§ 56-89 and -90 of the Code of Virginia for C & P to acquire from Idlewood Farms, Inc., the water facility used to provide service to the Idlewood Farms subdivision. Because this acquisition was not an ordinary extension or improvement in the usual course of business, the Commission, in its August 4, 1998, Order, deemed C & P's application for an amended certificate also to be a request for a certificate of public convenience and necessity pursuant to § 56-265.2 of the Code of Virginia. The Commission directed C & P to give its customers notice of its application and to provide interested parties with an opportunity to comment and/or request a hearing

on or before September 25, 1998. The Commission also directed its Staff to review and analyze C & P's application.

On October 19, 1998, the Commission granted the motion of the Staff of the State Corporation Commission ("Staff") requesting an extension of the deadline for filing its Staff Report to August 1, 1999, and requesting that C & P be required to file certain financial data pertaining to the Company as a whole and to the Idlewood Farms water system individually. Staff requested additional time in which to conduct an audit and to better evaluate the reasonableness of C & P's proposed rates based on accurate consumer data from the Idlewood Farms subdivision for both summer and winter.

On July 30, 1999, Staff filed its Report. Staff recommended that the Commission grant C & P an amended certificate of public convenience and necessity to provide water service to the Idlewood Farms subdivision and that the Commission find that the rates at Idlewood Farms are just and reasonable and should be made permanent. The Staff Report also addressed C & P's July 1, 1999, rate increase and recommended that the Commission accept a Joint Stipulation¹ reached between the Company and Staff.

On May 4, 1999, C & P issued to all of its customers a notice of proposed increase in rates for those residing in the

¹ A copy of the Joint Stipulation is included as Exhibit A to this Order.

S. L. Hines, Deerfield, Scottswood, Maple Hills, Oak Ridge, Beck's, and Holland subdivisions. The increase became effective July 1, 1999, for the Company's currently metered subdivisions of S. L. Hines, Deerfield, Scottswood, and Oak Ridge. The Company proposed to implement the increase at the Maple Hills, Beck's, and Holland subdivisions when the installation of meters at each subdivision is complete. C & P projects the increase to be fully implemented by August 1, 2000. The rate increase is designed to align the water rates in these subdivisions with the water rates in the Bennett's Harbor, Lake Forest, Lake Meade, and Idlewood Farms subdivisions. This rate increase has caused Staff concern about the Company's overall annual income level, although customers representing less than one (1) percent of the Company's customer base complained about the rate increase. Due to these concerns, Staff and the Company agreed to a Joint Stipulation whereby Staff would not oppose or object to the rate increase beginning July 1, 1999, on the condition that C & P would not implement, for any subdivision, a further rate increase that would be effective before July 1, 2002.² Staff recommended that the Commission accept this Joint Stipulation.

² However, the Joint Stipulation provides:

[I]f circumstances make it necessary to alter the Company's rates, rules, and regulations of service for the protection of the legitimate interests of the Company's customers or its shareholders, the Staff and the Company recognize that either of them may, on its own motion, institute a proceeding to consider and to order such increases, decreases, or other changes in rates

Staff also recommended that the Company be allowed to implement a standard tariff for all its systems. C & P currently operates its systems under five (5) different rate schedules, creating a cumbersome billing process. Staff asserted that single-tariff pricing would enable the Company to realize efficiencies in operations and would not create an unhealthy level of subsidization for any one subdivision because all of the systems owned by C & P have similar physical characteristics.

Staff further recommended that the Company should be allowed to change its rates, charges, fees, and rules and regulations of service to reflect the proposed language regarding meters and meter installation contained in the May 4, 1999, notice to its customers. This language reads:

RULE NO. 6 - METERS AND METER INSTALLATION:
(c) The Company at its sole discretion may upgrade the water service connections for an entire subdivision from unmetered to metered connections and begin billing all customers in the entire subdivision for water based on the metered rate.

This tariff language is necessary because the Maple Hills, Beck's, and Holland subdivisions currently are partially unmetered. Meter installation in these subdivisions is

necessary for the protection of those interests. The Staff or the Company may oppose any such motion or the establishment of any such proceeding.

See Joint Stipulation at paragraph 4.

scheduled to be completed by August 2000. The Company intends to charge these subdivisions the existing flat rate until meter installation is completed and to switch the customers in each subdivision to the metered rate once that subdivision's meters are installed.

Finally, Staff recommended that C & P make two journal entries. First, Staff recommended that the Company debit Retained Earnings by \$931 and credit Accumulated Amortization of Contributions in Aid of Construction ("CIAC") by an equal amount because the Company currently is amortizing one item of CIAC at a rate other than three (3) percent. Second, Staff recommended that the Company make a journal entry to debit Distribution Reservoirs by \$6,695 and to credit Retained Earnings by the same amount in order to capitalize costs of a tank overhaul properly.

By letter dated August 6, 1999, C & P asked the Commission to accept the Joint Stipulation presented in the Staff Report as well as the recommendations presented by Staff. C & P further agreed to make the journal entries recommended by Staff.

NOW THE COMMISSION, having considered the matter and the applicable law, is of the opinion that the public convenience and necessity requires that C & P be granted an amended certificate to acquire the Idlewood Farms subdivision and that it is in the public interest for C & P to provide water service to such area. We will approve the Joint Stipulation reached by

the Company and Staff. We also agree that C & P should be allowed to implement a standard tariff for all of its systems and that C & P's proposed language regarding meters and meter installation should be approved for inclusion in its tariff. We will approve all of these changes as well as the accounting modifications recommended by Staff as noted above. Accordingly,

IT IS THEREFORE ORDERED THAT:

(1) Certificate No. W-280a, previously issued to C & P Suffolk Water Company, hereby is canceled.

(2) C & P Suffolk Water Company hereby is granted an amended certificate of public convenience and necessity, Certificate No. W-280b, authorizing it to provide water service to those areas previously authorized in Certificate No. W-280a, as well as to the Idlewood Farms subdivision in the City of Suffolk, Virginia.

(3) The Company's rates, charges, fees, and rules and regulations of service, as modified herein, are approved.

(4) The Joint Stipulation reached between the Company and Staff, attached hereto as Exhibit A, hereby is approved.

(5) The Company shall make the journal entries recommended by Staff as noted above.

(6) C & P shall, on or before October 15, 1999, file with the Commission's Division of Energy Regulation an amended tariff reflecting the revisions adopted herein.

(7) There being nothing further to come before us, this matter is dismissed.